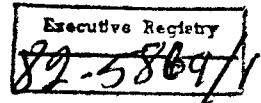




## DEPARTMENT OF STATE

Washington, D.C. 20520

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September 10, 1982

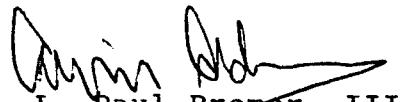
MEMORANDUM FOR MR. DAVID E. PICKFORD  
DEPARTMENT OF THE TREASURY

SUBJECT: Papers for SIG-IEP Circulation

Attached is a set of five discussion papers prepared for circulation to participants in the SIG-IEP. The papers describe the following elements of a United States approach to the Europeans on pipeline sanctions:

1. Oil and Gas Equipment and Technology
2. Credit
3. COCOM
4. Alternate Energy Supplies
5. Reductions in U.S. Export Controls

Also attached is a set of related background papers.

  
L. Paul Bremer, III  
Executive Secretary

Attachments:

As Indicated.

cc: OVP	- Mr. Donald P. Gregg
NSC	- Mr. Michael O. Wheeler
Agriculture	- Mr. Raymond Lett
CEA	- Mr. William Niskanen
CIA	- Mr. Thomas B. Cormack
Commerce	- Mrs. Helen Robbins
Defense	- COL John Stanford
Justice	- Mr. F. Henry Habicht
OMB	- Mr. Alton Keel
OPD	- Mr. Edwin Harper
USTR	- Mr. Dennis Whitfield

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DECL:OADR

NSC review completed.



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OIL AND GAS EQUIPMENT AND TECHNOLOGY

OBJECTIVE

Allied agreement to embargo future transfers of critical oil and gas equipment and technology to the USSR.

ANALYSIS

Until the Reagan Administration the United States had never developed a clear policy as to whether Soviet oil and gas production furthered or impeded Western interests. Even now the fact that our sanctions are tied to Poland reflects some ambivalence.

In the late 1970's, one of the arguments for approval of exports to the USSR of some mid-performance U.S. computers for oil exploration seismic data processing was the possible beneficial effect on the world oil market.

In 1978, the United States imposed controls on exports to the USSR of equipment and technology for exploration and production of oil and gas. But this action was designed as a "flexible tool of foreign policy" and all license applications were approved until revocation of the Dresser drill bit plant license in late 1980.

In March 1980, one of the escape clauses in the U.S. post-Afghanistan proposal to COCOM for a no-exceptions policy was "items that protect Western access to vital commodities or services" and the example given was a computer to regulate the flow of gas on the Orenburg pipeline.

In July 1981, the United States proposed at the Ottawa Summit a "prudent approach" to East-West economic relations, which pointed out the dangers of trade dependency relationships with the USSR. The President also made clear at Ottawa that we were opposed, specifically, to the Siberian gas pipeline.

In addition to the vulnerability from dependence argument, United States officials have stated that Soviet hard currency earnings from sales of gas delivered through the pipeline would strengthen the USSR economically, permitting, inter alia, larger purchases of strategically significant high technology.

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